Standard Bank - 2011

PROCUREMENT ANNUAL SUPPLIER SUMMIT
# Standard Bank Procurement Annual Supplier Summit

## Agenda

<table>
<thead>
<tr>
<th>Time</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>8:00 - 9:00</td>
<td>Arrival, Registration &amp; Opening</td>
</tr>
<tr>
<td>9:00 - 9:30</td>
<td>Welcome &amp; Introduction</td>
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<tr>
<td>9:30 - 10:00</td>
<td>Sourcing</td>
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<tr>
<td>10:00 - 10:30</td>
<td>Group Sustainability</td>
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<tr>
<td>10:30 - 10:45</td>
<td>*** MID MORNING BREAK ***</td>
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<tr>
<td>10:45 - 11:15</td>
<td>Enterprise Development</td>
</tr>
<tr>
<td>11:15 - 11:45</td>
<td>Tutuwa Community Investment  Fund</td>
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<tr>
<td>11:45 - 12:00</td>
<td>Relationship Management</td>
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<tr>
<td>12:00 - 12:45</td>
<td>*** LUNCH ***</td>
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<tr>
<td>12:45 - 01:15</td>
<td>Questions &amp; Closing</td>
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WELCOME & INTRODUCTION

Prepared for Client Name
Your name here
Date
“Political Emancipation without Economic Transformation is Meaningless”

*President Jacob Zuma at the ANC 99th Anniversary Celebration*

*Polokwane 8 January 2011*

“We are very serious about transformation and intend to accelerate our efforts. Transformation goes well beyond the numbers, we aim to create a culture that embraces openness, fairness and diversity. We want this culture to be a tangible, everyday reality for our staff, clients, stakeholders and the communities we serve”

*Sim Tshabalala – Chief Executive*
Critical Success Factors for SMME Growth

- Business and financial management skills & expertise
- Technological access and skills (e.g. Internet & e-mail)
- Access to finance
- Access to markets (e.g. Procurement opportunities)
SMME Growth Constraints

SMMEs’ lack of capacity

- Lack of skills & experience:
  - Business management
  - Financial management
- No capacity to deliver urgently and on big projects
- Cannot create value through volumes (Scale)

Limited access to finance:
- No credit
- No collateral security
- Weak cash flows

Financial constraints

Geographic constraints

Limited geographic reach:
- Only regional and provincial reach
- Limited value creation due to such limitation

Technology constraints

No technological skills and expertise
Limited access to technology (e.g. Internet, e-mail)
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Creating Growth and Sustainability

- Procurement set asides
- Enterprise development initiatives
- Creating provincial supplier databases
- Favourable payment terms
- Financial growth through supplier rationalisation
BSMME Performance Trend & Contribution to Scorecard

*** Did you Know ***

SME’s contribute to 49% of the Economy’s Total GDP

Potential Challenges Experienced by BSMMEs:

- Scale, price and quality with this sector of suppliers are still challenging. The problem is further exasperated by price squeezes from current customers.
- Growth restricted due to the inability to limited access to capital.
- Skills challenge e.g. business management skills.

<table>
<thead>
<tr>
<th>Beneficiary Category</th>
<th>Available Points</th>
<th>% Achieved</th>
<th>Target</th>
<th>Points Earned</th>
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<tbody>
<tr>
<td>All BEE Spend</td>
<td>12</td>
<td>163%</td>
<td>50%</td>
<td>12</td>
</tr>
<tr>
<td>QSE / EME</td>
<td>3</td>
<td>18%</td>
<td>10%</td>
<td>3</td>
</tr>
<tr>
<td>BO / BWO</td>
<td>5</td>
<td>27%</td>
<td>15%</td>
<td>5</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>20.00</strong></td>
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Creating the Context

- **Strategic Sourcing** – Creates the frameworks and defines the process that supports the procurement approach.

- **Group Sustainability** – Highlights how we, can, and are currently contributing favourably toward the preservation of the environment we live and operate our business in.

- **Enterprise Development** – Addresses Mentorship programmes and assistance available to BSME’s.

- **Supplier/Relationship Management** – Mutual Benefit from a Prosperity Partnership
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STRATEGIC SOURCING

Prepared for Client Name
Your name here
Date
The 2011 Strategic Sourcing imperatives are to:

1. Improve Efficiency And Effectiveness:
   - Meet and exceed the Sustainable Savings and Overall Procurement Target
   - Supplier Rationalization: Reduce the number of active suppliers

2. Manage SBSA Optimally Within The South African Socio-political & Regulatory Context
   - Meet BBBEE targets: Facilitate the attainment of Preferential Procurement Targets
   - Increase Provincial Spend

3. Drive Deposit And Transactions Led Customer Acquisition In Both Business & Personal Markets
   - Revenue creation opportunities though the Supply Chain
Programme to Source Goods and Services from QSE/EME

Key points

- The Sourcing team plan is to allocate RFP in the Operational and Commodity segments to BO/BWO SMMEs.

- The total Operational and Commodity segments are valued at X amount.

- The reasons for targeting the segments:
  - Low competition barriers such as low company cash flow requirements, reduced insurance requirements, reduced liability requirements and low legal costs in contract discussions
  - SBSA has support mechanism through the ED program and Account Executives.

- For the next 2 years Sourcing team would want to optimise opportunities within these segments.
Supplier Selection – The Tender Process

Key points

- **Agree Target List and Issue RFP**
- **Receive Intention to Bid**
- **Receive Responses to RFP**
- **Evaluate and Shortlist RFP**
- **Provide Recommendation**
- **Contract and Issue letters of Award/Regret**

• **Target List**: Establishing/obtaining a database of QSE/EME, especially Black Owned or Black Woman Owned companies.
  • A closed RFP process is mostly applied - this means a closed list of vendors have been specifically invited to respond to the RFP.

• **Receive Intention to Bid**: Communication channels. No operational contact channels such as faxes, email address.

• **Evaluate and Shortlist RFP**:
  • **Technical Ability**: Putting up a case for expertise in supply of Goods or Service
  Most SMMEs participate in various unrelated business activities.
  • **Governance**: Valid BEE Status and other expected certifications
  Insuring Company and Company directors are clear of any legal or financial
Programme to Source Goods and Services from QSE/EME

Key points

- 2011 PROJECT PIPELINE

1. Various Branch Cleaning Provincially based projects

2. ATM installations (construction and electrical work)

3. Split unit Air-conditioning systems at loan centers

4. Additional Principal Contractors in areas with limited local representation (non-urban areas)

5. Additional Electrical contractors in areas with limited local representation (non-urban areas)
GROUP SUSTAINABILITY

Introduction to Sustainability in the Supply Chain
Introduction to Sustainability in the Supply Chain

- Sustainability in the supply chain is important to us
- We will explain it to you and assist you
- It is an incremental process
What is Sustainability in the Supply Chain

- Business is integrating sustainability management:
  - Monitoring their environmental footprint, e.g. energy use, water use, use of materials and waste generation
  - Considering the social impacts (both positive and negative) of their business
- Looking for ways to make positive changes
- Many opportunities are within the supply chain
- It is new within business, even for corporates, in South Africa
- Today’s session is the first step to raise awareness amongst suppliers regarding sustainability management
How is Sustainability Management Relevant for a Business
Sustainability Management Adds Value to a Business

- Cost savings through greater efficiencies
- Risk management
- Corporate image + reputation
- Attract employees
- Stakeholder engagement

Improves the bottom-line and long term profitability of a business
Business is an Important Contributor to Sustainable Development

- We are living in a world with real environmental limitations, such as clean drinking water and unpolluted air.

- Individuals and communities are negatively affected by pollution, and the poor suffer most.

- All nations agree climate change is urgent and a global problem - they differ on who should pay to fix it.

- Healthy businesses innovate to keep product relevant to trading conditions.
Environmental Drivers of Sustainability Management in Business

- Energy
  - Business continuity
  - Pollution (local and global)

- Water
  - Critical shortages
  - Need to extend water resources to many more people
  - Deterioration in quantity and quality of water available

- Resource use
  - Long term shortages of non-renewable input materials

- Waste
  - Pollution of water
  - Aesthetic issues

- Eco system functioning/ecosystem services
  - Example: Wetlands

- Air pollution
  - Localised focus on pollution control

The South African Government has committed to installing one million solar water heaters in mostly low-income residential developments by the end of 2014. Standard Bank is assisting the production and installation of 230 000 solar water heaters.
Social drivers of Sustainability Management in Business

Challenge

Growing population world wide but particularly in emerging markets
Growing gap between rich and poor
Growing unemployment amongst youth

Solution

Skills development and job growth part of the SA national agenda
Embrace ways to address challenges

Outcome

More sustainable living leads to improved quality of life
Millennium development goals
- Access to education
- Improved health and welfare

Standard Bank’s involvement with BizAIDS aims to improve business skills among small and medium enterprises while educating business owners on health matters such as HIV/Aids, malaria and tuberculosis.
Sustainability Management at Standard Bank
We are committed to contributing to sustainable development in the countries in which we operate through ethical and responsible financing and business practice.

We believe that we have an obligation to manage the environmental and social aspects and impacts that our activities, products and services have on society and to responding strategically to the risks which global environmental and social pressures have on our ability to create sustainable value for our stakeholders.

The business recognises it has both direct and indirect impacts on society and the environment.

Where appropriate, we will work in partnership with other stakeholders on global issues which impact us as a business and as a corporate citizen.

SBG’s own environmental and social performance

- Understand our environmental footprint
- waste management plan
- Set clear targets
- Develop products
- Monitor and track progress
- Encourage suppliers, to help us in achieving our target
- Report accurately and transparently to stakeholders
- Comply with all environmental and social legislation

SBG’s responsible and sustainable financing: ways of evaluating applications for loans

- For large scale projects The Equator Principles will be used to assess and address environmental and social risks
- Beyond project financing the Group’s Environmental and Social Risk Assessment Toolkit will be utilised
Partnering to develop sustainability in the supply chain
Sustainability Management as a Business Development Tool

- It is important to begin the journey, which will be an incremental process

- Implementing sustainability management in your business is part of accessing the Standard Bank supply chain and potentially grow your share of wallet

- Standard Bank will partner with you to provide sustainable growth for both our businesses
- We will provide you with information and guidance
- These issues will become a routine part of daily business practice & decision making

To do that you need:
- Information, such as energy, material and water use
- Targets
- Assigned accountability and responsibility

It will contribute favourably in tendering process
We will walk the journey with you, and make it part of site visit checks
An Environmental Management System can be very Straight Forward

Data collection

- Utilize a simple set of excel spread sheets to analyze key data to support management actions
- Energy use (Direct and indirect consumption of electricity purchased from external suppliers & diesel etc consumed)
- Resource use as part of manufacturing
- Water use
- Waste generation (separated by fluorescent tubes, plastic, wet waste, glass, metals and other recyclable materials)
- Electronic waste

Set efficiency targets

- Starts with understanding an organization’s present performance, such as energy consumption, water use, paper use and waste generation
- The present performance can then be benchmarked against other similar types of businesses
- Set realistic targets e.g. for reductions in materials purchased, and energy usage

Ideas for reducing your impact

- Quick wins you can implement with little costs:
  - Ask your suppliers for sourcing certificates, e.g. is the wood Forest Stewardship Council (FSC) certified?
  - Switching lights off when leaving rooms and offices saves energy
  - Start recycling
  - Ensure no water is leaking
- Longer-term innovative projects:
  - Evaluating renewable energy options for your operations
  - Phase-out hazardous materials
Example: Integrated Waste Management Plan

- Identify all of your waste streams
- Reduce the amount of waste generated
- Reuse waste as input to other processes
- Recycle what cannot be reused
- Ultimately reduce the amount of waste sent to landfill
- Hazardous and problem wastes, such as electronic waste, fluorescent tubes, medical waste should be treated appropriately

In 2010 Standard Bank South Africa set the following targets:

- To reduce its paper consumption by 10% over the next 5 years
- To increase its paper recycled by 5% by the end of 2011
Section 13. Evaluation Criteria

- 13.1 Black Economic Empowerment;
- 13.2 Project Understanding, Project Management Structure and Process, Reference
- 13.3 Best Practise
- 13.4 Credibility

- **13.5 Sustainability Management**

- 13.6 Previous Experience
- 13.7 Financial Strength and Viability
Does your company set measurable goals and targets for improving environmental and social performance?

Has your company upgraded to energy-efficient lighting in each of its facilities?

Does your company make an effort to source its supplies/products locally?

Does your company spend at least 1.5% of total labour spend on training?
Ultimately it’s about sticking to the basics and doing good business!!!

It’s not about the soft stuff that makes us feel good,
it’s about doing what makes long term business sense – acknowledging
risks and opportunities and having the right governance, accountability and transparency

Jacko Maree

We look forward to engaging with you on the Standard Bank sustainability journey

Please contact us if we can assist in any way:
Emily Adair: Sustainability Manager   Emily.adair@standardbank.co.za
“While SME’s are critical to a country’s long term development, sustainable access to finance and inclusive business design are fundamental to ensuring long-term and equitable poverty reduction and business profitability.”

Robert De Jongh
Informal MSMEs comprise 90% of total MSMEs but have less than 20% of MSME contribution to national employment.
The Importance Of SME’s in the SA Economy

GDP contribution by enterprise type, 2010*

- **Government**: 25%
- **Medium and Large**: 49%
- **Small**: 15%
- **Very small and Micro**: 3%

> R10m and < R50m turnover per year

Source: Genesis Analytics Team Analysis, 2011
* Methodology and workings can be found in the appendix
Your Needs

Sustainable Development

- Growth & Profitability
- Deliver quality Secure contacts
- Access to resources
The Market Gap

1. BEE
   - 20 points for preferential procurement
     - reserve for 50% > BO
     - reserve for 30% > BWO
   - 15 points for Enterprise Development
     - target: 3% NPAT

3. Business Development Support ‘handholding’
   - Includes Targeted Mentors
   - Back office support
   - Capacity building

4. Market Access
   - Contract security

2. Access to finance
   - Working Capital
   - Growth Capital (Investment in the business to finance growth)
   - Cash flow management options
   - Useful and Cheaper Transactional products

The Market Gap
- Typical Banks’ primary target: 0.1%
- The SME Finance Gap: 5-10%
- Micro finance: 65-75%

Key points
- Micro Enterprises
- Very Small Enterprises
- Small Enterprises
- Large Enterprises
- Corporate & Multinationals
Challenges
- Ability to access and analyze information is particularly weak for SMEs
- SMEs often "don't know what they don't know", and their absorptive capacity is poor.

Solution:
- BDS support
- Access to finance
- New methodology

Challenges
- Because of their small size, SMEs usually lack management capacity
- SMEs cannot afford costly support services (e.g., financial, human resources, legal, training)

Focus:
- Establishing customer base
- Tracking and conserving cash

Focus:
- Efficient and effective ways of "x" with increased sales, joint accounting and management systems

Value Adds
- Existing Businesses

Existing Businesses

Solution:
- Web based tools and support

"Seed stage"

"Growth"

"Mature"

"Decline"

SALES / TURNOVER

TIME / AGE OF BUSINESS

Being An ED Beneficiary

11/07/2011
How Do We Bridge The Gap – An Integrated Approach

Key points

There is no silver bullet, this requires focus and a sustained effort from multiple players

Market Need

Market Access

Intermediary and Access to Finance

Supplier Origination and Pre- vetting

BDS

Channel Partners

Corporates & BDS

Partners
Multiple SMEs Lack Ability to manage supplier's x Operational risk x Finance x Skills

Need √Supply chain √Distribution √Market expansion √B-BBEE

Solution

Need √Finance √BDS √Systems

Lack xCollateral xHistory xRecords xOperational mgt

Corporate

Multiple SMEs

Need

B-BBEE, Preferential Procurement & Enterprise Development driving new thinking and approaches

Standard Bank

New methodologies

Assessments

→ Jockey

→ Contract

→ Business

Provide

✓ View of SME and recommendations to Corporate
✓ Finance
✓ Quality BDS platform
✓ Contractual linkages

Manage for success

Ensure sustainability and reduce risk for all parties
What is the highest B-BBEE Scorecard Priority

The trend is towards a greater emphasis on ED and procurement

Source: KPMG BEE Survey, 2009
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TUTUWA COMMUNITY INVESTMENT FUND
RELATIONSHIP & SUPPLIER MANAGEMENT
Supplier Management Fuelling Preferential Procurement Outcomes

Supplier Performance Management:
Review Process – Provides timeous insights on service failure allowing for prompt remedial action and preserving the BSME supplier’s presence in the supply chain.
Quality of service is preserved by understanding failure points, implementing remedial actions and tracking these accordingly.
Alignment with the Enterprise Development unit provides Procurement with the opportunity, where applicable, to nominate suppliers that require a development initiative to enhance their service offering.

Supplier Contract Management:
Key terms and conditions allows for continued compliance;
Ensuring compliance supports the platform for effective relationship building; A successful relationship promotes continued and sustained interaction.
Legislative awareness is also created with the Supplier through the contracting process. (E.g. BEE Certificate Management.)
Suppliers are currently being made aware about the importance of Sustainability.

Supplier Risk Management:
Continuity of Supply - Suppliers become aware of the risks associated with their supply to the Bank and preserve their position by proactively managing these risks.
The Bank holds them accountable through the following contracted requirements: Documented Business Continuity Plans, Evidence of periodic testing (BCM Attestation Certificate).
Conclusion

Supplier Management

Reciprocated Value

SBSA Service Delight

Prosperity Partnership

Supplier Service Delight

Contract Management

Risk Management

Supplier Performance Management
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LUNCH
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QUESTIONS & CLOSING

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